GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:279
ANSWERED ON:01.08.2002
CAPTIVE POWER
ADHIR RANJAN CHOWDHURY

Will the Minister of POWER be pleased to state:

(a) whether attention of the Government has been drawn to the news-item captioned `PFC stresses captive power` appearing in the `Times of India` dated June 7, 2002;

(b) if so, whether the Power Finance Corporation has made investment in States and SEBs;

(c) if so, the details thereof;

(d) whether PFC has sent captive power policy guidelines to all the States; and

(e) if so, the extent to which the target of generation of power is likely to be achieved after investments made by PFC?

Answer

THE MINISTER OF POWER (SHRI SURESH PRABHU)

(a) to (e) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF STARRED QUESTION NO. 279 TO BE ANSWERED IN TH LOK SABHA ON 01.08.2002 REGARDING CAPTIVE POWER.

(a) : Yes, Sir.

(b) & (c) : Details of captive power projects funded by the Power Finance Corporation (PFC) are enclosed at Annexure-I.

(d) & (e) : PFC has not circulated any Captive Power Policy guidelines to the States. Ministry of Power has, however, circulated a Captive Power Policy prepared in consultation with Central Electricity Authority (CEA) to all the State Governments and Union Territories in July, 2001.

The salient features of the Captive Power Policy are enclosed at Annexure- II.

The Policy provides a more liberal framework for setting up Captive Power Plants and utilizing their surplus output for the benefit of consumers. However, no target, as such, under captive power generation has been fixed.

ANNEXURE-I

ANNEXURE REFEREED TO IN PARTS (b) & (c) OF THE STATEMENT LAID IN REPLY TO STARRED QUESTION NO. 279 TO BE ANSWERED IN THE LOK SABHA ON 01.08.2002 REGARDING CAPTIVE POWER.

Details of Captive Power Projects funded by PFC

Details of Projects 45.33 MW Power Project of Sanghi Industries Ltd.
77 MW Captive Co-generation power plant
Promoters Sanghi Industries Ltd.,Vadinar Power Company Ltd.
Location Kutch, Gujarat Vadinar, Jamnagar in Gujarat
Purpose To meet the power requirement of SIL`s Cement Project
To meet the power and steam requirement of the proposed
Essar Oil Refinery

Project cost Rs.114.35 crores of the power project Rs.5598 Million

Financial assistance
provided by PFC Rs.57.00 crores Term Loan disbursed + Rs.12 crores guarantee executed
+ Rs.3.09 crores sanctioned Rs.235 crores sanctioned;
documents yet to be executed.

Status of the Project Power Project commissioned in February, 2002
Project work yet to restart

ANNEXURE-II

ANNEXURE REFEREED TO IN PARTS (d) & (e) OF THE STATEMENT LAID IN REPLY TO STARRED QUESTION NO. 279 TO BE ANSWERED IN THE LOK SABHA ON 01.08.2002 REGARDING CAPTIVE POWER.

CAPTIVE POWER POLICY

1.0 OBJECTIVE

According to the 16th Electric Power Survey conducted by CEA, the country has energy shortage of 7.8% and peaking shortage of 13.0% for the current year. The capacity addition required by the end of 11th Plan to meet these shortages is nearly 100,000 MW. In view of the massive investments required for capacity addition it is necessary that the existing investments in the power sector are fully utilised and captive power plants which are utilised only partially are encouraged to sell power to the grid. The following general guidelines are recommended to the States to enable a more liberal framework for setting up Captive Power Plants and utilising their surplus output for benefit of the consumer.

2.0 PERMISSION AND APPROVAL:

i) Permission for installation of Captive Power Plant is to be obtained from SEB under Section 44 of Electricity (Supply) Act, 1948. For captive power generation exceeding 25 MW, SEB will accord permission under Section 44 of Electricity (Supply) Act, 1948 only after consulting the Central Electricity Authority as per Section 44 (2A) of Electricity (Supply) Act, 1948.

ii) The following would be eligible to install a Captive Power Plant :-

a. A consumer of electricity.
b. A group comprising more than one consumer as a joint venture.
c. An actual user of power but not a consumer.
d. A group of actual users of power, but not consumers, as a joint venture.
e. A group comprising both consumers and actual users of power as a joint venture but excluding `Generating Company` as defined under Section 2(4-A) of Electricity (Supply) Act 1948.

3.0 (a) If the captive plant falls under the category of hydro or co generation plant, such plant, irrespective of its size and status of power supply position in the State, may be permitted liberally.

b) If the Captive Power Plant is based on coal or liquid fuel or gas and if the State is deficit in power supply, the installation of such captive power plant could normally be allowed and the capacity of the plant permitted upto 200% of the requirement of the industry for its own use.

c) If the Captive Power Plant is based on coal, liquid fuel or gas and the State is surplus in power, the installation of such captive plants can still be considered in the following cases:-

(i) If the industry requires uninterrupted power supply due to the nature of the industry and if the State/SEB or Successor entity are not able to guarantee supply of such requirements, the proposal for setting up of such a captive power plant for the uninterrupted power supply requirement of the industry can be considered.

(ii) If the industry requires quality power supply (within the stipulated variations in voltage and frequency) and if the State/SEB or Successor entity are not in a position to guarantee the power supply of such stringent requirements, the proposal for installation of the captive power plant of the required capacity can be considered.

(iii) If the cost of generation from the captive plant is found to be lower compared to the tariff of the power supply from the grid, the proposal may be considered after thoroughly examining the cost and tariff aspects.

d) Banking facilities may also be provided to the Captive Power Plants so that available capacities are utilised to the extent possible and when required. The rates for banking may be determined on mutually agreed terms.

e) Units in Special Economic Zones (SEZ) and industrial estates may be allowed to set up CPPs liberally.

4.0 If the CPP is of co-generation in nature, and the capacity exceeds 25 MW, theproposals shall be forwarded to CEA for consultation under Section 44(2A) of Electricity(Supply) Act, 1948 duly certified by the concerned Utilities that the proposal qualifies for the status of co-generation. (In this regard, MOP Resolution No.A-40/95-IPC.I, dated 6th November, 1996 may be seen for reference).

5.0 Permission of State Electricity Board is required to synchronize and operate with the Grid.

6.0 All statutory clearances for setting up the CPP have to be obtained by the owner of the CPP of his own accord.

7.0 CONDITIONS FOR USAGE OF CAPTIVE POWER

Energy generated from captive power generating units:

i) Can be used by the owner of the captive power generation plant.
ii) Can be used by sister concern(s) of the owner of the captive power generation plant.
iii) Balance power after usage in items
(i) and
(ii) above can be sold to SEB,
if required by them.
iv) Third Party sale is also permissible, with the approval of SEB.
v) Captive generator could be asked not to draw power from the grid
during peak seasons/hours.

8.0 WHEELING CHARGES & RULES

Prior approval of SEB has to be obtained for wheeling of power.Captive generated power may be wheeled only where interface for synchronization with the grid exists. Wheeling will be done to any service (High Tension or Low Tension). The cost of interfacing lines, switchgear metering and protection arrangement may be met by the CPP and/or the Board as per mutual arrangement.Similarly, the wheeling charges may be worked out based on pooled rates of wheeling charges worked out by the Central State Transmission Utility of that Region and the amount of energy wheeled.

9.0 PRICING OF THE BALANCE POWER SOLD TO SEB

For the FIRM POWER, the pricing for the Captive Power Generation could be insingle part i.e. rate for units alone. The tariff for sale of power from thermal CPPs toSEB may be fixed after mutual discussions between SEB & CPP and could be based onpooled variable charge of thermal power stations operating in the SEB plus somepercentage of the pooled variable charges as an incentive to CPP generator. In case of hydro CPPs also, the tariff for sale of power to SEB may be fixed after mutualdiscussions between SEB & CPP and could be based on pooled variable charge ofthermal power and incentives. To attract more power from CPPs into the Grid, tariff could also be based on the highest variable cost in the system or the actual variable cost of CPP, whichever is lower, and some percentage of the variable cost as an incentive.

The rate for INFIRM Power could be at 75% of the normal rate.

Tariffs for purchase of power from captive plants may be determined by SERCs wherever they have been established.

10.0 BILLING METHODS

i) Separate billing may be carried out for export and import of power by the Captive Power Generator. Import of power may be billed according to the Tariff Notifications of Government from time to time.

ii) Export billing may be done for the units exported as per the mutual agreement between SEBs & CPP.

11.0 DEFINITIONS

Definitions are given in Appendix.

APPENDIX

DEFINITIONS

(i) CONSUMER means any person who is supplied with electric energy by a State Electricity Board.

(ii) ACTUAL USER OF POWER means one who is not a consumer but uses power out of captive power generation.

(iii) GRID means electrical network of a State Electricity Board

(iv) BOARD means State Electricity Board or its successor entities.

(v) CPP means Captive Power Plant.

(vi) FIRM power means quantity of power in units committed by the owner of theCaptive Power Plant to be sold to State Electricity Board annually.

(vii) INFIRM power means quantity of power in units sold to SEB without any commitment.

(viii) CAPTIVE POWER PLANTS may be defined as plants meant for catering to theeeds of a particular industry/consumer or group of industries/consumers for their own use, which should be not less than 50% of the total output of the plant.

(ix) GENERATING COMPANY means a company registered under the CompaniesAct, 1956 and which has among its objects the establishment, operation and maintenance of generating stations